

Participating Hula Mae Lenders

Frequently Asked Questions Updated May 18, 2012

1. Loans meeting guidelines of three programs

It is important for the lender's to remember that the loan package must meet three (3) set of guidelines, the Hula Mae program, Fannie Mae (FNMA), and the private mortgage insurance provider guidelines (if applicable).

2. Homeownership Counseling Classes

Please ensure that the Homeownership Counseling Class that your borrower's complete meet FNMA's requirement under their My Community Mortgage (MCM) program, which may be more stringent than the Hula Mae requirement.

3. Second Mortgage Requirements

Although HHFDC has removed the "no other subordinate financing allowed" under the DPA program, please ensure that FNMA's requirement is adhered to. We believe FNMA only allows Community Seconds under the HFA Preferred Program.

4. When were the income limits and purchase price limits last revised?

The programs income and purchase price limits were revised as of May 7, 2012.

5. Revised basic conditions for the Down Payment Assistance (5-7-2012)*

- a. Maximum amount of Down Payment Assistance is 3% of Sales Price.
- b. No cash back to the Borrowers.
- c. Borrower must have a minimum 1% cash equity in the transaction.
- d. Subject to FNMA and Private Mortgage Insurer approval.
- e. The Down Payment Assistance amount must be added to contract price to determine acquisition cost of the residence.
- f. The Down Payment Assistance amount must be added to mortgage amount to determine recapture tax.
- g. Down Payment Assistance must be advanced at closing by Lender and will be reimbursed by the Trustee to Lender with the sale of the FNMA Securities.

* Currently, Castle & Cooke Mortgage, LLC, Central Pacific Bank and Honolulu HomeLoans, Inc. are participating in the Down Payment Assistance program.

6. Does the refinancing of the Hula Mae loan result in recapture tax?

No, refinancing without a sale or disposition of the home does not result in recapture, but a later sale or disposition after the refinancing may result in recapture. The borrower would need to contact the Internal Revenue Service if they have any further questions on this matter.

7. If the Hula Mae mortgage loan is paid in full (refinanced) does the borrower still need to be an owner-occupant?

No, once the Hula Mae mortgage loan is paid in full under the Hula Mae loan program the borrower has no obligation to be an owner-occupant. However the borrower should verify if there are any deed restrictions that may require them to use the property as their principal residence.

8. How long must the Hula Mae loan borrower be an owner-occupant?

The Hula Mae loan borrower must be an owner-occupant throughout the term of the Hula Mae mortgage. (This provision is strictly enforced and violation may cause the entire loan balance to become immediately due.)

9. What if there is a conflict between a FNMA requirement and a Hula Mae requirement?

The stricter requirement must be followed. Example: FNMA under its MCM program does not allow for non-occupant co-signor or co-borrower. Therefore the Hula Mae's co-signor may be a non-occupant is not available.

10. How are the Hula Mae loan underwritten?

Under the HFA Preferred/Hula Mae program the loans must adhere to FNMA's MCM program requirements.

11. What is the maximum loan fee (points) that can be charged to the borrower?

Under the conventional loans the maximum loan fee that can be charged to the borrower is 1.25%. 1% is the lender's fee and .25% is the delivery fee to FNMA when loan is securitized.

12. If a participating lender wants to process a loan from a non-participating lender can an additional fee be charged to the borrower?

No, the maximum loan fee charged to the borrower must be 1.25%, as noted in #11 above. The participating lender could pay a portion of their 1% fee to the non-participating lender if they choose to do so. However in no event can the borrower be charged more than 1.25%.

13. What is Recapture Tax?

Recapture tax allows the federal government to recover tax subsidies from homebuyers who used a subsidized mortgage to purchase their homes, but only applies if all 3 of the following conditions are met:

- a. The home is sold in the first 9 years of the loan; and
- b. The borrower realizes a gain on the sale of the home (as defined by the IRS); and
- c. The borrower's household income increases substantially.

If the Recapture Tax applies, the borrower needs to determine the tax amount and incorporate into their Federal Tax Returns for the year in which they sell the home. A tax consultant or the IRS should be contacted in determining this amount.

14. What mortgage insurance providers are aware of the Hula Mae program?

Mortgage Guaranty Insurance Corporation (MGIC), United Guaranty Insurance Corporation (UGIC), Genworth Mortgage Insurance Corporation (GMIC) and Radian. We suggest that you work with the mortgage insurance provider as each may have established different levels of underwriting criteria.

15. If home ownership counseling is being outsourced to a third party such as, the mortgage insurance provider, Hawaii HomeOwnership Center, Legal Aid Society, etc. does their certification that the borrower(s) have completed the course meets the requirement of the program?

Yes a third party certification is acceptable to HHFDC.

16. Does the borrower(s) need to be a resident of the state of Hawaii?

Yes, an eligible borrower(s) must be a bonafide resident of the state of Hawaii.

17. Can the Hula Mae loan be used with Mortgage Credit Certificate (MCC) program?

No, the Hula Mae loan cannot be used with the MCC program.